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ABSTRACT

Texas school-finance reforms implemented in response to the 1989 Edgewood Independent School District v. Kirby state supreme court ruling have impacted school districts differently. A study of four school districts, two poor and two wealthy, examined how these districts responded to changes in the school-finance system and the state's educational reform efforts. In terms of finance, poor districts have benefited tremendously from the equalization component of the new school-finance system. One of the districts studied received more than $11 million in new funds in 1991-92, or nearly $1,000 per student in additional funds. However, per student expenditures have remained virtually constant in the wealthiest district, despite a property tax rate increase. Three of the four districts gave teachers pay increases of about 6 percent. Teachers in the wealthiest district received no salary increase for 1991-92. In the poorest district, more than half of the new funds were used for one-time expenditures. The other poor district increased teacher salaries and improved staff development. All four districts took steps to implement site-based management as mandated by the state. However, finance reforms have hindered wealthy districts' ability to institute programmatic reforms, while poor districts lack the institutional framework to do so due to years of low funding. (JPT)

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The Local Impact of School Finance Reform in Texas

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Abstract

The school finance reforms implemented in Texas in response to the *Edgewood* court rulings have had a differential impact on school districts. This paper describes how four Texas districts, two wealth and two poor, have responded to the changes in the school finance system and the state's efforts to reform educational programs.

In terms of finance, poor districts across the state have benefited tremendously from the equalization component of the new Texas school finance system. One of the districts in our sample received over $11 million in new funds in 1991-92, or nearly $1,000 per student in additional funds. The other poor districts received over $17 million in new funds for its 55,000 students. On the other hand, the wealthiest district in the sample has been forced to raise its property tax rate by nearly 50 cents per hundred dollars of assessed valuation, and spending has remained virtually constant for the last three years. The fourth district, a relatively wealth, large urban district lost some state funding, but has more than compensated for that loss with a substantial property tax increase which was also designed to give the district enough money to implement an ambitious reform agenda.

Three of the four districts gave their teachers pay increases of approximately six percent, while the wealthiest district was not able to increase salaries at all for 1991-92. In the poorest district, over half the new funds were used for one time expenditures including the construction of a new middle school. The other poor district used most of its new money for teacher salaries and is in the process of reorganizing the administrative staff to place a greater focus on staff development. That district also used a portion of its new funds for a discretionary program that gave each school in the district $93 per student for its own use. Even the wealthiest district is continuing its staff development efforts. During our visit, William Spady and his team were doing a week long workshop on Outcomes Based Education for the staff and administration of the district at a cost of over $40,000 to the district. To fund its new educational plans, the large urban district increased its property taxes by 32 percent.

All four districts are making efforts to implement site based decision making as mandated by the state. Their efforts have taken varied directions. The large urban district used a year long community involvement process to develop a blueprint for reform that included curriculum, personnel, and facilities improvements. In the other wealthy district, a new superintendent has shifted decision making to the school site, but principals are still wary that the reform will last. In the poorer districts, there is less obvious movement to site based decision making, most likely because of lower capacity to make the changes. However, the poorest district has told all central administrators that they must spend 50 percent of their time at local school sites, helping the staff at those schools resolve problems. The commitment to the discretionary fund in the other poor district, and a commitment to allow schools to carry forward unexpended balances from those funds is the most obvious form of site based decision making in that district.

The new school finance structure has shifted funds from wealth to poor districts. As districts strive to implement programmatic reforms, the previously wealth districts are hamstrung by reduced funding or the need to raise more funds from local sources, while the poor districts have the funds to establish programs to meet the reform goals, but lack the institutional capacity due to years of low funding.

THE LOCAL IMPACT OF SCHOOL FINANCE REFORM IN TEXAS

by
Lawrence O. Picus

School finance reform in Texas is in a state of flux. In January 1992, the State Supreme Court ruled for the third time in as many years that the state's school finance system was unconstitutional. The Court gave the State Legislature until June 1, 1993 to devise a new system. Although the final design of a school funding formula is far from complete, the changes enacted by the Legislature in response to the two earlier court rulings have had dramatic effects on the distribution to and allocation of resources in Texas school districts. Researchers have found that the distribution of funds to schools in Texas under existing law would be among the most equitable of the fifty states if fully funded (See Tonjes, 1991 and Picus & Hertert, 1993). In light of the substantial changes that have taken place in Texas school finance, educators and policymakers have a strong interest in knowing how changes in funding levels are reflected in "real things" such as staff, instruction time, course offerings, and technology, and whether these things are related to student learning.

To understand the impact of school finance reform on local school districts, in depth case studies were conducted at the state level in 1991(Picus & Hertert, 1992 and Picus & Hertert 1993), and at the local level in 1992, in a sample of four representative Texas school districts. The purpose of this case study research was to determine:

- How new funds were allocated across education levels (elementary, middle and high schools)
- What kinds of programs were created or expanded
- To which students the new funds were directed
- How districts and schools responded to the mandate for site based management
- Whether the reforms have produced fundamentally different rules for allocating resources and dollars at both the district and school level
- The process used to reach these resource allocation and governance decisions.
- How the current national recession and the problems of funding generally have impacted school finance reform and local program implementation.

In addition to these questions, our research sought to determine whether or not the four symptoms of cost increases in educational institutions identified by Odden and Massy (1992) have consumed any new dollars that were made available to local districts as a result of the school finance reforms.

The balance of this paper describes the results of our interviews and document review in each of the four case study districts. The first section of this paper offers a discussion of the current status of educational reform in Texas, focusing primarily on the changes in the school finance system. The second section provides a brief description of the four districts in which we conducted our case study research. This section describes our selection methodology, and gives a capsule analysis of each of the four districts. The third section provides detailed analyses of how each of the four districts responded to the

school finance reforms implemented through SB and SB 351. The discussion includes information on each district's general attitude toward the reforms, the impact on teacher salaries and staff development, and concludes with some thoughts on how the current recession will impact school funding in the state and in these four districts in the near future. Site based management, and how each district has met the state's requirement to establish a site based management program is the topic of section four. The fifth section analyzes each of the four districts through the lens of the productivity framework postulated by Odden and Massy (1992).

CURRENT STATUS OF REFORM IN TEXAS

Since October 1989, when the Texas Supreme Court upheld a lower court ruling that the Texas school finance system was unconstitutional, finance issues have dominated discussions of educational policy in Texas. The ruling in *Edgewood v. Kirby* [1]forced a number of dramatic changes in the Texas school finance system, and created a demand among legislators for greater accountability for Texas' 1,055 school districts. A new, and controversial school finance system was enacted beginning with the 1991-92 fiscal year. At the same time, the Legislature, which committed itself to increasing the state's share of K-12 educational expenditures from the current 48.7% (in 1992-93) to 51.6% (in 1995-96), also appropriated $700,000 to conduct a study defining accountability. While there is a growing sentiment for defining educational accountability in terms of student outcomes instead of "correct" use of inputs (dollars), it is clear that the legislature is still somewhat reluctant to relinquish authority over how districts use the funds they receive. For more details on the specifics of the school finance changes that have taken place and their impact at the state level see Picus and Hertert (1992) and Picus and Hertert (1993).

While never viewed from the outside the state as a national leader in educational reform, Texas has dealt with a number of "hot" educational issues in the last decade. The state's major educational reform act of 1984, HB 72 included provisions for: 1) an appointed State Board of Education to replace the elected State Board (since repealed); 2) a more equalized school finance structure based upon a weighted pupil method of distribution instead of adjusted personnel units; 3) increased teacher salaries on the state minimum salary schedule; 4) a career ladder program for classroom teachers based at least in part on teaching performance; 5) smaller classes in the early grades; 6) a longer school day and year; 7) restrictions on extracurricular activities; and 8) a number of other new programs including pre kindergarten.

The state is also making substantial strides in modifying its testing program to create a performance based assessment system that measures performance across all subject matters deemed important in the essential elements of the curriculum. In addition, Texas, a textbook adoption state, has recently entered into an agreement with California to consider new science materials that use an integrated approach to science at the high school. The state also has a number of alternative teacher certification programs that seem to have paid off in terms of finding new, talented teachers.

The typical approach to educational reform in Texas has been state mandates. Examples include the mandating of the career ladder program, the maximum class size of 22 students in grades K-3 (recently implemented at the 4th grade as well), the minimum teacher salary schedule, and the essential elements, a set of curriculum guidelines describing the core areas of knowledge, attitudes, values and skills that must be included

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[1] *Edgewood Indep. Sch. Dist. v. Kirby*, No. 362,516 (259th Dist. Ct. Travis Cty. Tex. June 1, 1987), rev'd 761 S.W. 2d 859 (Ct. App. Tex. 1988), rev'd 777 S.W. 2d 391 (1989).

in instruction and that each student must be provided an opportunity to learn. The essential elements have been tied to the textbook adoption process so that as new books are purchased, they are in line with the requirements of the essential elements.

Both the governor and a number of members of the Legislature have expressed interest in using incentives for school improvement. An incentive program, funded at the level of $10 million was passed by the last session of the Legislature. The purpose of the incentives is to reward school performance, although to date, no formal structure has been established to determine what criteria should be used to qualify for the incentives nor how the incentive funds should be distributed.

Two factors seem to work together to limit the ability of the state to implement educational reforms: 1) the state's geographical size; and 2) a lack of resources. Texas has over 1,000 school districts in a geographical area larger than every state except Alaska. Moreover educational spending in Texas is low compared to the other large industrial states. Until last year when per pupil spending in Texas surpassed that of California, educational spending in Texas was the lowest of these ten states. In 1992-93, Texas ranked ninth, considerably below states like New Jersey and New York. These factors conspire to make implementation of any program difficult.

Another important factor in educational reform has been the relationship between the Texas Education Agency and the State Legislature. Generally viewed as a large, burdensome bureaucracy, TEA is not thought of highly by the Legislature. The appointment of Lionel Meno as the Commission of Education has produced something of a honeymoon between these two organizations. This good will is based largely on the very high hopes most legislators have for what Meno will be able to accomplish. Whether or not he can succeed, given the tremendous effort that has and continues to be devoted to school finance, is yet to be determined.

The purpose of this paper is to describe in detail the impact these reforms have had on local school districts across Texas. While the primary focus of this research was how the school finance reforms have affected the school districts, it would not be complete without some discussion of other reforms as well. The next section describes the four districts in which the case studies were conducted.

DESCRIPTION OF THE FOUR SAMPLE DISTRICTS

In selecting our case study districts we wanted to sample on several variables: size, property wealth per pupil, spending per pupil, socio-demographic characteristics of districts and schools, and responsiveness to the reforms themselves. Resource limitations required that several of these variables be merged. We combined spending and property wealth since the two tend to be related. In addition, size captures several socio-demographic variables as large districts tend to have high concentrations of minorities, students from poverty backgrounds and under-performing students. Therefore, in the end, we stratified our selection by two major categories, size and wealth, and attempted to represent the diversity of the state as much as possible. The final sample included two large districts, one high-wealth and one low-wealth, and two medium sized districts, again one wealthy and one poor. Our sample is representative of the vast geographical diversity of Texas as well. One district is located in West Texas, another in the Rio Grande Valley, while the last two are on or near the state's Gulf Coast.

District A, a large urban school system, is the largest district in the sample. The district has nearly 200,000 students, and its weighted average daily attendance (WADA)

exceeds 221,000.[2] It is a high wealth district, with property wealth per WADA of nearly $213,000.[3] However, until this year (1992-93), it has been a low tax effort district, with per pupil expenditures of $3,026 per WADA, the lowest of the four districts in the sample. The district's tax rate in 1991-92 was only $1.05 per hundred dollars of assessed valuation. As described below, District A raised its property taxes substantially for the 1992-93 school year. Until recently, African Americans were the largest ethnic group in the district. However, in recent years the growth in Hispanic students has been so rapid that in 1991-92, 46.5% of district A's students were Hispanic and 37.1% African American. The remaining students were 13.6% White and 2.8% from other ethnic groups.

The other large district in the sample is District D. District D is one of the eight largest districts in the state, although it is relatively poor. It has 55,956 students in WADA, over 80% of whom are Hispanic. The balance of the students are overwhelmingly White, with only 2.5% African American and less than one percent members of other ethnic groups. The district's property wealth per WADA is $68,883. Interestingly, despite its status as a poor district, district D spent $3,238 per WADA in 1991-92, just over $200 more per student than district A spent.

The two medium sized districts in the sample, districts B and C include the sample's wealth extremes. District B, is among the wealthiest in the state, with a property wealth of nearly $360,000 for each of its 7,938 WADA. Spending in district B was just over $4,700 per WADA. District B's total budget of more than $37 million has shown the lowest rate of growth among the four districts in the last three years, largely because of the adverse impact of the school finance equalization measures that have been implemented. District B's student population is 72% white, 17.9% Hispanic, 8.6% African American and 1.5% other.

Although district C is one of the poorest districts in the state with a property wealth of $35,395 per WADA, its spending level of $3,769 per WADA is the second highest in the sample. This is largely due to the fact that District C benefited substantially from the equalization component of Senate Bill 351, gaining nearly $1,000 per WADA in new state revenue in 1991-92. The district is overwhelmingly Hispanic. Over 95% of the students in the district are Hispanic, and virtually all the remaining students are White. This information is summarized in Tables 1 and 2.

The Following sections address the specific research questions posed above. The first of these describes each district's response to the finance reforms, analyzing how districts that have received additional funds used those revenues to improve their educational programs, and how districts that did not fare as well in the school finance reforms have responded to the resulting constraints. The second section describes how each of the four districts responded to the state's site based management mandate. The third describes the processes used to reach resource allocation decisions and how the distribution of funds to school sites has changed, if at all due to the fiscal and site base management reforms. The final section deals with the impact of the current national recession on available funding for each of the districts, and provides a discussion each

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[2]The Texas school funding formula uses student weights to provide additional funding for students requiring special services. Program weights have been established for handicapped students, students requiring compensatory education services and for bilingual programs. Thus a districts weighted average daily attendance (WADA) exceeds its total student enrollment.

[3]Using WADA to calculate property value per pupil yields a state average property wealth of $154, 404 per WADA. Thus District A's property wealth is considerably above average.

district's actions in light of the Odden and Massy productivity framework (Odden and Massy, 1992).

DISTRICT RESPONSE TO SCHOOL FINANCE REFORMS

General Attitude Toward the Reforms

Local views on the new finance program varied across the districts in a predictable manner. The two property poor districts we visited benefited dramatically from the increased money in the system and the emphasis on equalization. The large wealthy district supported the concept of equalization, and felt that the changes that had taken place were basically fair. However, officials of the medium sized wealthy district were generally critical of the new school finance program.

Senate Bill 1 and Senate Bill 351 both increased the equalization of funding for Texas school districts. Districts C and D, both very poor districts (see Table 1 above) benefited substantially from the new program. District C received $11 million in new revenues for 1991-92 an amount representing 20% of the general fund budget, and nearly $1,000 per pupil. That was so much money that the district was able to spend a significant portion on non-recurring expenses, devoting $5 million to the construction of a new middle school, and $3 million more to other maintenance and construction projects. District D received $17 million in additional revenue, or approximately 9% of its general fund revenue. This amounted to just over $300 per weighted ADA.

District C also raised its local tax rate to take advantage of the power equalizing provisions of the second tier of the SB 351 funding formula, while District D resisted a movement by some school board members and local community members to reduce its property tax rate in response to the new funds flowing to the district due to the equalization program. In district D, there was some pressure to lower the tax rate in response to the additional revenue being provided through the new finance system. However, the district staff was able to convince that board that for each dollar raised by the local taxpayers, the state would provide an additional three dollars, and therefore, the local tax effort should be continued. The school board eventually agreed, but set aside the funds raised by the six cents of tax effort it had considered cutting for a discretionary fund that was distributed to each school site. As a result, each school in the district received $93 per student in discretionary funds in 1991-92. Moreover, each school was allowed to carryover unspent funds, thus allowing them to plan for long term, major expenditures such as a computer laboratory.

District A, a wealthy but previously low tax effort district responded differently. In discussions with district officials and board members, it was clear that while they don't like the revenue implications of equalization programs, they understand why they are important, and generally support the concept of equalization. The district's major argument on this topic is that progress toward equalization should be made slowly, and enough money appropriated by the state to make sure that wealthy districts have time to adjust. However, under the leadership of its new superintendent, the district has also undertaken an extensive school improvement planning process, and to implement its plans, has asked the board to approve substantial increases in property taxes. After a lengthy and difficult fight with the business community, district A's school board raised property taxes by 32% for 1992-93. The tax increase will raise an additional $90 million for the district that year. The funds will be used to pay for program improvements identified in the district's school improvement plan.

District B had the most difficulty with the new equalization formula. The district is one of the wealthiest in the state, and as a result of the CED system, actually lost local property tax revenues as well as state revenue. To compensate for the loss of funds, the district increased its tax rate from $1.17 1/2 in 1990-91 to $1.39 in 1991-92, and it will increase to $1.50 in 1992-93. In the meantime, the general fund budget has remained basically static at about $37 million. Moreover, as a result of these changes, the district is now "budget balanced" and thus receives no funds from the state through the equalization formula. The people we interviewed were generally bitter about the new finance formula, arguing that they were not getting their fair share (even though as Table 1 shows, there per pupil expenditures still exceed the next highest district in our sample by nearly $1,000). They claimed that they were "entitled" to the extra money because they had to live in the pollution created by the oil refineries and other industrial plants that comprise their tax base.

District B's long term financial plight is not as desperate as many in the district make it appear. At the present time, the tax base is growing by about $120 million a year. This amounts to approximately $15,000 per student each year which would raise an additional $208 per pupil at the district's current tax rate of $1.39, and $225 per pupil if the tax rate were set at the legal maximum of $1.50. Moreover, there are $1.2 billion in property tax abatements granted in the past that will start to come back on line beginning in 1994-95, substantially increasing the district's property value. Thus, in the long run, local property taxes will pick up the slack from the lost state funds. One factor confounding this is the extent to which the CED taxes are increased. District B only receives 86 cents of each CED tax dollar collected from property in the district, the balance going to other districts in the county.

Resource Allocation Decisions

Table 4 summarizes the budgets of the four districts for the past three years. As the table shows, the two poor districts in the sample, Districts C and D, both experienced significant growth in revenues as a result of the increased equalization features of both SB 1 and SB 351. District B, the wealthiest district in the state suffered real declines in resources over the period studied, while district A, a high wealth, low spending district in the past increased its budget substantially in 1992-93 through a tax increase of over 30%.

District Spending Priorities

In district A, a long range plan was developed which called for substantial increases in expenditures in four areas. The district's plan called for spending $40 million over five years to attract, retain and train teaches, administrators and other staff. These funds were to go to enhanced training programs and improved salaries. The plan also called for an initial investment of $3 million to upgrade school facilities for the 21st century, with significant increases anticipated for future years. In addition, the district planned to spend between $25 and 30 million for curriculum improvements and to develop partnerships with business and other social service agencies during the 1990s. Specifically, these funds would have been used to maintain the 22:1 class size ratio in grades K-4, and to insure that all students in the district receive instruction in music and art. Finally, the long range plan called for an investment of $50 million in technology for both instruction and administration.

Because the district did not receive approval of its initial budget request of $992 million, and because state funds were reduced by $30 million during the course of 1991-92, many of these plans have been scaled back. The 1992-93 budget of $954 million represents an increase of $120 million in total expenditures over the previous year.

However, as much as $90 million of that will be needed to make up for the state revenue shortfall during the two years. In that case, it appears that the bulk of the new funds will be used to pay for the teacher pay raise that was granted for the 1992-93 school year, and to implement the site based management with specific emphasis on curriculum improvements and community relations.

District C received the largest per-pupil increase in funding among the four sample districts. Most of the new funds were spent to build a new middle school, and to improve other facilities in the district. In 1991-92, the district received $11 million in new revenues as a result of the increased equalization in the system. This amounts to nearly $1,000 per pupil. Of that $11 million, $5 million was spent to build a new middle school (which was scheduled to open in September 1992). Another $3 million was spent upgrading facilities in the older schools across the district. Of the remaining $3 million, approximately $1 million was spent on improvements in technology, part for the classroom and part for a new management computing system. In addition, the district hired new counselors for curriculum development in the core areas of math, reading and language arts. The district is also establishing a year round education program. The year round program is not designed to solve overcrowding problems, but is designed to provide remedial training to students.

In addition, as part of the district's site based management plan, it has established the Instructional Monitoring Program. Designed to improve the teaching skills of the teachers in the district, the plan requires all central office personnel to spend at least 50% of their time at the school sites, observing teachers, and working directly with the teachers, or through the site administrator on techniques to improve instruction. The district's instructional monitoring system will put administrators into the schools for more time each day, but additional administrative positions have not been created to compensate for the time central office staff will now be at the sites. One large increase in expenditures is for the district's parent involvement program. Although it will be funded with Chapter 1 money, the funds previously used to support this program were freed up due to the existence of more state revenue.

District D spent much of the new money it received on a discretionary program for the schools. Each school in the district received $93 per pupil in discretionary funds, for a total expenditure of over $6 million. Much of the remaining $10 million the district received in new funds was devoted to meeting the state's 22:1 pupil teacher ratio in grades K-4. Prior to 1991-92, the district had received a waiver from the state to have larger K-4 classes since it could not afford to hire enough teachers to meet the demand.

Finally, district B did not have any new money to spend, and has been in the difficult position of having to reduce expenditures. The district is the highest spending of the four in our sample. Class size, particularly at the high school is relatively small averaging about 16 to 1, and in advanced math and science classes as well as specialized electives, it is even lower. In part, high school class size is low because of the many specialized classes that the district continues to offer. However, with the budget cuts of the past two years, over 60 teachers have been laid off, across the district. As a result, average class size is expected to increase in classes above the fourth grade. In grades K-4, the district continues to meet the state's requirement of a student teacher ratio of 22:1 or lower.

Teacher Salaries

Three of the four districts in the sample raised teacher salaries in 1991-91 or are planning to raise them in 1992-93. Both district C and D gave their teachers salary

increases averaging six percent for 1991-92, and district A has agreed to an average six percent salary increase for all employees now that the new budget has been passed. District B, has not increased salaries in the last couple of years, and although it still has one of the highest salary schedules in the state, there is concern that teachers are losing ground to the surrounding districts. According to the NEA (1992) Texas ranked 41st nationally with an average teacher salary of $29,041. Table 3 shows the range of teacher salaries for the four districts in the sample.

In addition to these salaries, district C offers a $3,500 bilingual supplement, and district D a $1,000 bilingual supplement. Both districts reported that the supplement has been helpful in finding qualified bilingual teachers. The personnel director in district C said that the supplement is so high that many qualified bilingual teachers in the district have elected to return to bilingual programs to receive the supplement. He said that this is the first year in recent memory where the district has filled all of its bilingual openings.

District D has the largest career ladder program. The district made a commitment to provide funding for every teacher who met the evaluation requirements of the career ladder program. Teachers who receive positive evaluations are eligible for salary supplements of up to $3,500 a year. Some 90% of the teachers in the district have qualified for some portion of the career ladder salary increment, and the costs far exceed the state funding for the program. In fact, evaluations have been so positive that the new superintendent of district D asked why test scores were so low if 90% of the district's teachers were so good. It is likely that the district's participation in the career ladder will change in the near future under the new superintendent's leadership.

Allocation of Funds by School Level and Impact on the Education Program

Districts A, B and D had traditional elementary schools serving grades K-5, while District C used a K-3 and 4-5 structure for its elementary and intermediate schools. The model in district C evolved in response to the Federal Government's Chapter 1 comparability requirements mandating that spending per pupil be equalized across the district. To insure that each school offered a uniform program to meet these requirements, the district established grade level schools, where all the students in the district in one or two of the grades attended one school. The district is slowly moving back to a neighborhood school concept, but plans to maintain the K-3 and 4-5 structure. One of the problems the district faces in assigning students to schools is that most of the schools are located in town, while as many as 60% of the students are located outside of the city boundaries. Since those children have to be bussed anyway, the district has drawn discontinuous school boundaries in an attempt to maintain comparability as required by Chapter 1 guidelines. Since Chapter 1 funds represent a large of this very poor district's budget, assuring that those funds are not cut off or reduced is an important factor in the district's planning.

Across all four districts, elementary school principals stated that the two most important state influences on their programs are the TAAS test and the state-wide requirement that the pupil teacher ratio in grades K-4 not exceed 22:1. The TAAS text is pushing schools to look closely at their curriculum, and focus on those elements that are tested. Since the test is supposed to test problem solving and higher order thinking skills, all of the districts are having trouble determining the best course of action. Across all of the districts, officials were concerned with Commissioner Meno's stated goal of 90 percent passing on all three tests. None of the schools we visited had achieved that goal, and none thought they could do in within the next few years. A number of principals expressed concern that establishment of such a high standard would have detrimental effects on teacher and student morale since it would identify them as failures.

While all of the districts indicated that they are meeting the 22:1 class size requirement for grades K-4, district D said that this is the first year it has not had to ask the state for a waiver of that requirement. Moreover, in all of the elementary schools visited, the average class size for fifth graders was in the range of 26 or 28 students per teacher, indicating that the requirements were met in some instances at the expense of the higher grades.

Another innovation taking place across district A is the developmental primary program. The district's intent is to eliminate the traditional numeric grades (0-100) that students receive in elementary school, and collapse grades K-2 into a continuum with student advancement predicated on student progress and not simply completion of a school year. In addition, report cards to parents would provide commentary on children's performance, and not provide numeric grades as is the current practice. The deputy superintendent in charge of this program indicated that teachers and students are very receptive to this program, but the "hard sell" is parents who are more comfortable with the traditional progression through the grades and traditional report cards.

It is difficult to sort out the impact of new revenues on changes in educational programs in the four districts. Districts C and D both had large revenue increases as a result of the change in the school finance formula. While there are a number of curricular changes anticipated in both districts, in district D, it is not clear if this initiative is a result of new funds being made available, or the change in leadership. The new superintendent of district D has made a number of organizational changes, many of which appear intended to improve the quality and quantity of staff development available to teachers in the district.

In district C, there appears to be a closer relationship between changes in educational programs and the new funds. Because the amount of new money was so substantial, many of the programs funded in the past with Chapter 1 funds were provided for out of general revenues in 1991-92. As a result, the parent involvement program established by the district could be funded with Chapter 1 moneys. Moreover, the availability of new funds made it possible to establish the instructional monitoring system which places central office staff in school sites on a regular basis.

District B has seen its available funding reduced, and thus any changes it makes have to be funded through reductions in other places. As result, there have been a number of staff reductions in the central office, and fewer replacement teachers hired this year. The district appears to have had a strong commitment to staff development activities over the years, and despite the fiscal problems they currently face, that commitment is holding so far.

District A did not particularly benefit from the change in the school finance formula. However, it substantial increase in local taxes was predicated on the establishment of a "blueprint" for learning in the district. The plan's central focus is on improving student achievement, and to the extent that the funds are not needed to replace money lost due to the state's reduction of funding, new revenues are being directed toward curriculum improvement activities, generally to be determined at the school site level. It is important to remember that the new money collected by district A comes from the local property tax payers, and not from the state as is the case with districts C and D.

Staff Development

The level of staff development activity varies from district to district. District B has an extensive staff development program, relying heavily on outside consultants to provide timely information to the teaching and administrative staff. While our interviews were taking place, William Spady and a number of his staff people were in the district for a three day inservice program that included teachers, administrators, and even an afternoon session with the school board. This program was put on at a cost of $40,000 to the district. Throughout the district, whenever a new educational program was discussed, the individuals we spoke with would always say that the program could not be implemented "without substantial staff training." It appeared that staff development activities and the need for training was an almost consuming passion for the district's administrators.

District D has not had an extensive staff development program in the past, but under the reorganization plan established by the new superintendent, this is expected to change. Previously the district only had two staff members responsible for the district's staff development program. Under the reorganization, staff development was to be given a greater priority, and at least five administrators would be assigned to the new "[district D] University," as it was called by people in the district. While the focus of the new staff development efforts had not been fully determined at the time of our interviews, it was clear that one of the first efforts the new department would undertake was to help school sites implement their site based decision making plans. Since the district was also reducing the central office role in curriculum development, other members of the staff development team were expected to prepare materials that would help teachers find, design and use new curriculum materials.

In district A, the focus of new staff development activities was on an Administrative training center whose purpose was to develop new school principals who were well trained in the management of schools under the new site based management plan. In district C, the focus for the next year is on developing parent involvement in the schools and the new instructional monitoring system whereby central office administrators will spend more time working directly with teachers to improve instruction. The parental involvement program is funded through Chapter 1 funds freed up largely due to the increased state aid the district received. This increase in state funding is being used, in part, to support the instructional monitoring system as well.

Impact of the Recession on Funding

The recent national recession has taken its toll on state revenues in Texas. As a result, the state did not have enough money to fully fund the provisions of SB 351 for the 1991-92 school year. Proration is a reduction in state funding that results from the Legislative appropriation for school finance being inadequate to meet the requirements of the funding formula. This is not a surprising occurrence since the state is committed to equalizing property tax collections in the second tier, yet can't fully control the tax rate chosen by the 1,050 school districts in the state. Thus, at the end of the year, each district's state appropriation is reduced or "prorated" to make up the shortfall. The formula for doing this is based on the wealth of the district, so wealthy districts loose more than do poor districts. Since District B is budget balanced, and receives no state aid through the equalization system, it is not subject to proration.

Among the remaining three districts, district A suffered the largest loss of money due to the proration, nearly $30 million. This caused a substantial problem in the district's fund balance, and a large part of the new tax increase is to pay back the

proration from 1991-92 and accommodate an expected $52 million proration for 1992-93. District D's proration amounted to just over $2 million, which while not as large a percentage reduction as district A, caused some financial concern at the end of the year. District C's proration amount was only $340,000, which as the executive director for business and finance said "is something we would rather not loose, but given the $11 million additional revenue we received this year, it is not a major problem for us."

Officials in all four districts were concerned about the future of school finance in Texas, and whether there would be enough money to fund the formula. They all referred to the a letter they received from Governor Richards and the Legislative leadership in May 1992 telling them that there would be no new money for education in 1992-93. They expressed concern over the lack of commitment to education on the part of the legislature, and many suggested that the receipts from the state's new lottery be used to help fund the finance formula, and reduce the projected proration for next year.

At the present time, it is estimated that the state will have between $350 and $650 million in additional revenue for education during the 1993-95 biennium. Fully funding SB 351 for the biennium would require a commitment of $2.8 billion in new state funding. As a result, the prospects for substantial increases in funding for school districts in Texas are poor in the near term.

SITE BASED MANAGEMENT

One of the provisions of SB 1 was that all school districts in Texas develop a site based management plan and submit it to the Commissioner of Education by September 1, 1992. Thus site based management was a topic foremost on the minds of everyone we talked with in Texas. The district approaches to developing these plans varied dramatically.

Under the requirements of SB 1, each district is required to develop a site based management plan which substantially shifts responsibility for decision making to the school site. The exact determination regarding what authority would be granted to schools and what would be maintained at the district level is up to each individual district. However, each school site is required to have a site based management committee that includes a majority of teachers and staff members elected by the teachers and staff of the school, as well as parents and community representatives. All four of the districts have developed site based management plans. The substance of the plans varies greatly from district to district however.

District A actually hired a new superintendent who was committed to the development of a site based management plan throughout the district. The new superintendent began developing a site based management plan upon his arrival in July 1991. Under a recent reorganization of the central office staff, which included the elimination of 300 administrative and support positions in the central office, individuals in positions of major responsibility appear to be committed to the principals of site based management. District A's site based management plan was developed with extensive administrator, teacher, staff, parent, community and school board participation. An ad hoc advisory committee was appointed to advise the superintendent, and in December 1991, the district held a "convention" with teacher and parent representatives from all of the schools in the district to seek input to the plan. The superintendent made it clear that the focus of the site based management program must be the improvement of student achievement, because without that priority, the changes he envisioned would serve no purpose.

The heart of the site based management plan is a "blueprint" describing the actions and timelines for transferring responsibility for budgeting, and curriculum to local school sites and outlining the accountability mechanisms that will be put into place to insure that the district continues its focus on student achievement. Principals and other administrators are to be held accountable for improving student achievement and will be evaluated on the basis of their performance in meeting their school or department's goals. Contract renewals, which typically are for three years, will be annual unless administrators consistently exceed the expectations. Administrators who do not meet expectations will be given growth plans, and if they still don't perform, will not have their contracts renewed.

School site personnel decisions were already largely up to the school site following initial screening by the district's personnel office. The new site based management plan stipulates that teachers, parents and community members should play a role in staff selection as well. Among the schools we visited in district A, three of them currently rely on teacher committees to help with staff decisions, while it seemed unlikely that the fourth principal would ever seek real input from his staff on hiring decisions. That however, is not much of a problem at his school because the teachers he has hired in the past are not, in his words "trouble makers."

With one exception, the site administrators we spoke with were very supportive of the site based management plan, and they indicated that they had been implementing some form of site based management in their schools before the formal structure was developed. One of the supportive administrators felt that the establishment of a formal set of policies and procedures for site based decision making was limiting in that he now "had to follow the rules" whereas before he and his staff could work things out as they saw fit. On the other hand another site administrator felt that the establishment of those rules helped formalize the process and give it more credibility. The one principal we spoke with who was not supportive of the site based management plan in district A was from the "old school" of administration. He called the sharing of power with a site council "communist" and said that he believed in democratic principles where one person, the principal, was in charge. He did indicate that a site council had been selected, and that it would hold its first meeting the week after we met with him. At each of the other schools we visited, the site councils had been in operation throughout the summer, and in some cases informally during the previous year.

District B appeared to be equally committed to site based management on the surface, but under that surface, the support seemed substantially weaker. The district's superintendent of 20 months is committed to what he calls "shared decision making," and has gone to great lengths to shift decision making powers to the lowest level possible. However, his predecessor, under whom he served as deputy superintendent for six years, ran a very hierarchical district, and basically made all decisions himself. Thus the staff in place is often uncomfortable with taking responsibility for making decisions, and all of them are afraid that they will be second guessed or over-turned by the superintendent. Given their previous experience, this position makes some sense, despite the current superintendent's protestations to the contrary.

The new superintendent has espoused a more participatory management system, saying that most decisions should be made at the school site. He has reduced the number of central administrators by seven from 43 to 36 and has told principals that they have the authority to make many of the decisions previously made only by the superintendent. District staff were generally pleased with the new management style, however, a number of them are wary over how long it will continue. Many are concerned that if student

performance declines, or some other disaster befalls their school, either they will loose their jobs, or the superintendent will take away some of their new authority. The superintendent argues this is not the case, and that he is committed to shared decision making across the district.

A review of the shared decision making plan submitted to the state appears to follow the state's guidelines very closely, with little deviation from the state's recommendations. The plan does not appear to be a product of a consensus building process as used in district A, but seems to have been written by one or two administrators in the central office and then circulated as the way things are to be done. It suggests transferring decisions over budget, curriculum and personnel to the school sites.

The support of the site administrators appears lukewarm at best. The high school principal indicated that he felt that as the principal it was his decision to determine how much authority he granted to teachers, and he indicated that at the present time, he is having some difficulty establishing what those parameters should be. He said that part of the problem is the concern over how serious the district is about shared decision making, and he is reluctant to give authority to the teachers, only to have to take it away from them because the district office changes its mind.

The middle school principal shared similar concerns about what the school and central office roles will be, but indicated that he supports shared decision making at the school, and "am in the process of putting together my site based council right now." Similarly, the elementary school principal we met with said that he supported site based management, but was concerned that the teachers and parents in his school were not really able to make the hard decisions. He was reluctant to share any real power with the site council.

On the other hand, district C apparently had some kind of site based management program, although they were unwilling to share a copy of that plan with us, nor did it appear to have the same level of support and commitment to its success among the central office staff. In district C, a great deal of effort has gone into developing parent involvement programs, yet the district's parent involvement coordinator has not been involved in the development of the school based management plan. In fact, the district did not share a copy of its site based management plan with us, we don't know what the site based management plan for this district is. The principals expressed support for site based management, although the intermediate school principal referred it to shared blame, and argued that what he thinks will happen is that the site council will tell him to things that won't work, and he will bear full responsibility for the failures. His comments point to one issue not discussed in any of the site based management plans we reviewed, and that is the relative responsibility of principals who fail because they follow the recommendation of their local councils.

Similarly, in district D, there is outward support for site based management, but all of the principals we met with intended to keep most of the major decisions to themselves. They too were reluctant to share power with the teachers and the community.

In summary, even though all of the districts in our sample have met the state requirements for preparing a site based management plan, and even though the administrators in both the central office and at the school sites say they support site based decision making and management, this commitment seemed hollow in all but district A. District B's superintendent is committed to the principal of shared decision making, but the district staff is reluctant to make many decisions because the previous administration,

of which the current superintendent was a part, was so centrally focused. District C's instructional monitoring plan which will send central office staff into the schools for 50% of their time often appears as a program to make enforce central office desires rather than a way to provide instructional support. Finally, district D's principals seem more reluctant than most to rely on advice from local site councils.

ALLOCATION PROCESSES AND RULES

In only one district have the rules for distributing resources to the school site been fundamentally changed. That is in district A, where a new allocation formula was developed to provide more discretionary funds directly to the schools. Each school receives some unrestricted funds, and some funds that must be used for certain program purposes. In both cases each school's entitlement is determined by adding a base figure to a per-pupil amount. The funds are to be expended in a manner determined with the guidance of the school's site-based management council. As described above, this council is composed of teachers, parents and community members as well as the principal. To date, none of the other districts have changed the way funds are distributed to the schools, and none of the districts' including district A, have given the school sites a great deal of latitude regarding the mix of certificated staff they use at their school site.

In district A, the development of the long range plan included participation from central administrators, site administrators, teachers, parents and community members. Four large task forces were established to make recommendations to the district and to develop plans for the future. This investment in local involvement was much greater in district A than in the other three. Districts B and C relied for the most part on central office decision making in deciding how to spend the resources they received, or in determining how to reduce expenditures to meet the new budget realities. In district D, there was considerable discussion about reducing the district's tax rate due to the influx of new resources from the state and the CED. The final compromise was the discretionary program which was funded with the money that would have been returned to the taxpayers had the district decided to reduce its tax rate by two cents.

THE PRODUCTIVITY FRAMEWORK

Odden and Massy (1992) develop a framework for analyzing the productivity of educational organizations. Each of the four components of their framework can be found to some extent in the four districts in our sample. Each is discussed in detail below.

The Cost Disease: The cost disease is, according to Odden and Massy (1992) associated with activities provided by people. As their salaries increase, so does the cost of the activity. This is a likely event in school districts where the basic technology of instruction, a teacher in a classroom of children, has seen little change in recent times. In Texas, the lack of collective bargaining for teachers has something of a modifying impact on the cost disease, although it can still be found among the four sample districts. District B for example, has always prided itself on having one of the highest salary schedules in the state. In fact, for many years, district B was number one in the state for teacher salaries. The teacher's organization representative in district B indicated that the district has slipped to number 17 (out of 1,044), and it was a matter of some concern for the teachers in the district. On the other hand, in district D, teachers were given a 6% salary increase, the first in three years. District C, finding itself with substantial new revenues, increased teacher salaries as well, and implemented a $3,500 supplement for bilingual teachers. While the supplement can be reduced or eliminated, both factors have

increased the cost of education in the district. The success of the supplement for bilingual instruction can be seen by the fact that a number of bilingual qualified individuals who were teaching in the district elected to return to bilingual instruction once the supplement was available. Thus, teacher desire to avoid certain assignments as they gain seniority has also led to increased costs in district C. Finally, district A included a salary increase of 6.5% for teachers in its improvement plan and its budget for 1992-93.

The Growth Force: Odden and Massy (1992) state that the growth force is "the idea that 'quality costs' and that any activity, such as education, simply has to grow over time in order to increase quality." No one interviewed in any of the four districts thought that reducing expenditures would improve the quality of education in their district. All felt that more money was needed to improve the quality of the education the children received in their districts, although this argument was more prevalent in districts A and B than in districts C and D, both of whom received substantial revenue increases in the last two years. Regardless of whether or not they knew how to spend additional resources to improve student achievement, everyone we talked with thought that more resources would be needed before gains in student achievement could be expected.

The Administrative Lattice: The administrative lattice is the phenomenon of middle manages and staff increasing at a rate faster than the front line service providers such as teachers (Odden and Massy, 1992). Although efforts were being made to reduce the size and cost of central offices in districts A and B, it seemed that like most school districts across the nation, central administrative positions have generally increased over time in all four districts. Criticism of the size of the central office was apparent from members of the public and from school site staff, and both district A and D had been soundly criticized for building new administrative centers within the last ten years. It was not clear at this time whether this phenomena will be reversed with the movement to site based management. Only time will tell.

The Academic Ratchet: In Texas, it is the state that has had the greatest impact on the academic ratchet which Odden and Massy (1992) argue is the evolution of teaching norms that over time produce lower class sizes and teaching loads. The state requirement that class size in grades K-4 be no larger than 22 has had a tremendous impact on the costs of education in all four districts. All four currently meet the 22:1 standard, but in grades 5 and 6 in all elementary schools, the class size increases to as many as 28 students. In district B, the high school has had a tradition of offering a wide range of special classes that often only have four or five students enrolled. Consequently, across the entire school the pupil teacher ratio is approximately 16:1. Eliminating these special classes has been difficult because the teachers who teach them are reluctant to give them up. Moreover, increasing the average class size at the high school will mean teacher lay-offs, a prospect no one is looking forward to. The evidence of an academic ratchet in the other districts was less obvious outside of the already discussed K-4 class size mandate.

Table 1

Basic Financial Characteristics of Four Sample Districts: 1991-92

District	Weighted Average Daily Attendance (WADA)*	Total Expenditures (General Fund) $	Total Expenditures Per WADA $	Property Wealth Per WADA $
A	221,025	668,819,493	3,026	212,935
B	7,938	37,340,519	4,704	359,270
C	14,722	55,497,662	3,769	35,395
D	55,956	181,180,644	3,238	68,883

*The Texas school funding system includes weights for students with special needs. Since these weights are an integral part of the equity calculations, the weighted ADA figure is used here.

Table 2
Student Demographic Distribution of Sample Districts:
Percentage of Total Enrollment, 1991-92

District	White	African American	Hispanic	Other
A	13.6	37.1	46.5	2.8
B	72.0	8.6	17.9	1.5
C	5.0	0	95.0	0
D	15.0	2.5	81.6	0.9

Table 3

Range of Teacher Salaries for Four Sample Districts: 1991-92

District	Beginning Salary ($)	Maximum Salary ($)	District Average Teacher Salary ($)
A	24,000	40,039	30,000
B	24,000	39,000	28,000
C	21,840	37,000	28,000
D	21,800	37,000	27,500
State Average			

Table 4
Budget History for Four Sample Districts
1990-91 to 1992-93

	District							
	A		B		C		D	
Category	Actual	% Change	Actual	% Change	Actual	% Change	Actual	% Change
Total Budget								
1990-91	781,381,128		45,928,836		54,163,432		203,677,000	
1991-92	833,830,612	6.71	41,827,007	-8.93	65,133,075	20.25	219,215,830	7.63
1992-93	954,284,817	14.45	43,294,267		74,400,889	14.23		
Total Budget Per Pupil								
1990-91	3,472		6,003		4,772			
1991-92	3,625	4.41	5,432	-9.51	5,416	13.50		
1992-93	4,044	11.56			6,278	15.92		
Tax Rate								
1990-91	1.000		1.175					
1991-92	1.050	5.00	1.390	18.30				
1992-93	1.385	31.90	1.540	10.79				

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